



Forest Resources and Technologies (FOREST) Project

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Quarterly Report

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Submitted by

**Winrock International
Chemonics International Inc.
The Heron Group, LLC**

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I. Introduction

Winrock International, in partnership with Chemonics and the Heron Group, was awarded the Forest Resources and Technology (FOREST) Project on July 21, 2000. This five-year project is based in Khabarovsk, Russia and will be implemented July 2000 - July 2005 in the Russia Far East and Siberia. The major goals are to reduce the threat of global climate change and preserve biodiversity by promoting sustainable forest management and preserving Russian forests as a globally important carbon sink and critical habitat for rare and endangered species.

The FOREST Project is achieving these goals by focusing on four technical components: forest fire prevention, pest management, non-timber forest products and secondary wood processing, and renewable energy alternatives.

This report covers the 3rd quarter of Year 4 of the FOREST Project – January 1 – March 31, 2004.

II. Quarter Highlights

“Participation in the Natural Products Expo West not only made it possible for us to exhibit our products, but also to get an insight into the current market tendencies, packaging requirements, ingredients constraints, and legislative prerequisites for bringing new products into the U.S. The seminars revealed the importance of organic certification for the US market and the value of sustainable forest management.”

– Svetlana V. Kosheleva, *Amurbiopharm Company* – *Taiga Teas*

- Fire Prevention Education Program updated: the new version of the education program incorporates feedback received from teachers who use the program, elementary school administrators, partner NGOs, and other project stakeholders. FOREST modified the program to increase its suitability for institutionalization. The revitalized education program features eight lessons covering the essential aspects of forest fire prevention. Coverage of the new education program includes the pilot regions of Khabarovski and Krasnoyarski Krai in addition to schools in the Primorski region and the island of Sakhalin.
- FOREST Project assisted in the organization of a roundtable to discuss the forest code of the Russian Federation. As a result of the round-table, FOREST drafted comments and suggestions to the draft version of the new forest code. The roundtable included representatives from the Krasnoyarski Krai administration, the MNR, the private sector, research institutes, and the educational system. Local journalists publicized the suggestions and comments that came from the roundtable. Feedback from the roundtable on the new forestry code was also provided to the Krasnoyarsk Krai Administration and the government of the Russian Federation.

- Partnership established with the Khabarovsk branch of the Ministry of Emergency and Rescue Situations of the Russian Federation. The chief of fire prevention and public relations activities for the State Fire Fighting Service of the Ministry of Emergency and Rescue Situations of the Russian Federation met with FOREST representatives. Prior to the forest fire season, the Ministry staff planned to carry public awareness activities on fire prevention in schools, daycare centers, and summer camps. They now rely on FOREST Project public awareness materials to conduct public awareness activities and prevent forest fires. The Ministry of Emergency and Rescue Situations of the Russian Federation is now planning to develop a public awareness video focused on fire prevention in partnership with the FOREST Project.
- FOREST Project Pest Monitoring Methodology Implemented in Two More Regions of Siberia. The goal of the Pest Monitoring Team is to improve existing methods of forest insect pest monitoring using state-of-the-art methods of sampling including the usage of Geographic Information Systems (GIS) and Geographic Positioning Systems (GPS) technology. FOREST created forest pathology zoning maps for Krasnoyarski Krai and Irkutsk Oblast. The new maps facilitated a reduction of the total forested area needing to be monitored now 20-30 percent. As a result two regions outside the FOREST Project expressed interest in implementing this zoning methodology. The Centers of Forest Protection in Tomsk Oblast and the Republic of Buryatiya have started work on development of electronic maps for areas of forest pest outbreaks in both regions. The Centers are providing detailed information on both recent and historical pest outbreaks in their regions as well as information on recent developments in zoning of the forested areas. FOREST Project consultants will assist both Centers in preparing electronic copies of maps. The Centers will cover all costs of this work. And, the Buryat Center will allocate funds for map publication. This clearly displays the institutionalization process which is taking place.
- FOREST and Khabarovsk RIC (Resource Information Center) jointly developed a plan to involve RIC in information requests from companies on possible purchase orders coming from Japan and the U.S. after FOREST sponsored trade tours. The plan will help to utilize the resources and database available at RIC.
- Ten volunteers, three US and seven Russian, have assisted partner companies not less than ten Russian entities on production and marketing issues.
- FOREST provided training and support to the Siberian and Far Eastern Associations in preparation for participation in the Natural Products Expo West 2004 Anaheim, California. FOREST assisted the participating companies in developing western style effective marketing materials such as company profiles, information leaflets, labels, logos, slogans, and presentation materials. The participants were trained to create strong presentations focused on their companies and products, as well as a focus on international negotiation skills. With volunteer assistance a KP NTFP presentation for Anaheim trade show was developed that displayed a product list for 7 participating companies with over 30 different products.
- *Forest Line* Director Mr. Belomestnov reported due to the success of the dry kiln purchased in response to the needs identified during a FOREST sponsored trade tour, he now wants to expand operations and acquire two more dry kilns. As a result of the mission to Japan he has now signed a 4-year contract to supply laminated lumber and purchased a laminating line.

- FOREST selected four companies to provide business development support awards to in the following categories: 1) partnerships with Russian or foreign manufacturers and FOREST Project companies in the use of biomass energy to improve product quality, productivity, and/or waste utilization, such as through the use of dry kilns or other small biomass systems in FOREST Project target regions, and 2) commercial partnerships between Russian companies or between Russian and U.S. companies to develop new cogeneration biomass energy systems in FOREST Project target regions. The companies are expected to have a biomass energy facility either completed or under construction by June 2005.
- FOREST, in collaboration with ROLL, co-hosted an Energy Conservation seminar in March in Khabarovsk. The seminar attracted more than 60 representatives interested in energy efficiency from Khabarovsk and Primorski krajs, and Sakhalin oblast. C4 representatives Tatyana Khodos and Konstantin Shkonda's presentation on the contribution FOREST has made in implementing the Federal Program for Energy Efficiency and Energy Conservation in the timber industry of the RFE and Siberia was well received. FOREST also proposed that seven companies, with biomass energy projects either able to be completed or under construction by the end of 2004, apply to ROLL's energy conservation grants.
- FOREST has assisted its partner company Parusnovsky DOK to submit a ROLL energy conservation grant application to construct a 200 kW biomass facility. Sakhalin Oblast has re-confirmed its commitment to provide concessional funding to the company to begin construction of the boiler-dry kiln system at the end of 2004 if the company is not successful in receiving the ROLL grant.

III. Four Technical Components

A. Fire Prevention and Public Education (Democracy and Civil Society)

1. Overview

During the first quarter of 2004 FOREST focused on developing a new, shortened version of the fire prevention program for school-aged children. FOREST also continued its work to develop a "how to" manual for forest fire prevention in cooperation with local partners and project stakeholders. Upon completion the public awareness campaign "how to" manual will be distributed to the Russian Ministry of Natural Resources, local NGOs, and scientific institutes. FOREST also conducted several seminars and trainings for both new and old partners of the project. As part of the program to support local NGOs, FOREST Krasnoyarsk organized a roundtable discussion of the new Russian Forest Code for scientists, journalists, and public officials. As a result of developing strong relationships in the krajs, we are moving toward a process of institutionalization of the program. This is evident especially in Khabarovsk Krai where the regional government asked FOREST to take part in the krai program of fire prevention scheduled for April 2004.

2. Highlights

Forest Fire Prevention Program for School-aged Children:

- ***Building public-private partnerships.*** FOREST identified potential project partners at the state and federal levels. FOREST representative(s) have met with members from the State Duma of the Russian Federation and the Federation Council. Additionally, they have met with potential partners in the NGO community including the Industrial Chamber of Commerce of the Russian Federation and the International Club of Public Relations Managers, and are currently completing a step by step fundraising manual for project partners.
- ***Opinion survey of education specialists conducted on the best environment for teaching the fire prevention program.*** Education specialists gathered in Khabarovsk in February for the annual regional meeting. The majority of education specialists surveyed at the meeting agreed that the fire prevention program would best be suited as an extracurricular activity in the school system.
- ***Seminar for secondary and university level education specialists conducted in Khabarovsk.*** The seminar included trainers from academia in addition to the Chief of the regional branch of the Environmental Monitoring Center. Education specialists from academic institutions of Khabarovsk Krai participated in the work of this seminar. The seminar brought together project partners to discuss introduction of the new program for school-aged children in higher education programs so that the program can not only be used by teachers, but also by other professionals from across the region.
- ***Vyazemski Forestry College supported in public relations work.*** FOREST assisted the Vyazemski Forestry College in implementing public awareness campaigns and organizing theater performances with an emphasis on ecological issues.

Awareness Programs and Institutionalization:

- ***Working group meeting in Krasnoyarsk held to develop a manual for implementing public awareness campaigns to prevent forest fires.*** Participants at this meeting included representatives of the Krasnoyarski Krai Administration, scientific and research institutes working in the area of forest fire prevention, the State Department of Natural Resources of Krasnoyarski Krai, and mass media specialists. Several revisions were made to the content of the manual as a result of this meeting with project stakeholders.
- ***Seminar for local forestry deputies in Krasnoyarsk.*** Seminar participants included representatives from the nineteen districts of Krasnoyarski Krai. Participants received awareness materials from the FOREST Project for distribution in their local jurisdiction. The trainees prepared for the upcoming fire season with an introductory lecture on communications best practices for fire prevention.
- ***New methodology for FOREST newsletter.*** A journalist is revitalizing the style, design, and content of the FOREST newsletter. The newsletter now features new thematic sections. And, a leading Far-Eastern specialist on pyrology provided an interview for the latest publication, identifying the necessity of the work FOREST is accomplishing.
- ***FOREST volunteer, developed an environmental education screenplay for the public.*** Members of White Eagle and Glenna, two local NGOs, will travel to Sakhalin Island to give performances and conduct seminars devoted to the prevention of forest fires on the island of Sakhalin and raise general ecological public awareness.

NGO Partnerships

- ***FOREST identifies areas of possible collaboration with partners in the cities of Komsomolsk and Amursk.*** Several local groups expressed interest and general willingness to implement education programs for forest fire prevention. A number of NGOs requested materials for implementing public education activities dedicated to forest fire prevention. One local NGO, Taiga's Guard, is creating 21 information booths for placement in public buildings in the city of Komsomolsk.
- ***Cooperation with the World Wildlife Federation (WWF) in Krasnoyarsk.*** FOREST met with senior representatives from the Krasnoyarsk office of WWF. Results from these meetings, and subsequent working group meetings, culminated in the production of four public awareness video clips for forest fire prevention and forest protection.
- ***FOREST Project participates in youth forum.*** In Krasnoyarsk FOREST provided best practices and public education methodology for forest fire prevention programs to youth groups from several regional cities.

Results

- ***FOREST prepared and distributed more than 50 copies of the modified forest fire prevention school program.*** The updated school program was sent to both current and recent project partners, schools, NGOs, and organizations. The new program is currently being tested. These results (from the testing phase) will be presented and discussed at a roundtable meeting in May of this year.
- ***Forest service personnel improve communications skills.*** In February specialists from the Forest Protection and Conservation Departments from 19 Krasnoyarsk leskhozoes participated in training sessions to improve their communications skills. The training took place at Divnogorsk Forestry College and included input from FOREST representatives of Krasnoyarsk and Khabarovsk.
- ***FOREST activities published by the State Department of Natural Resources of Krasnoyarsk Krai.*** In March Lesnoye Krasnoyarsk published information on FOREST activities and its plans for program institutionalization. The newspaper has a regional circulation of 1000 copies.
- ***FOREST Project receives accolades from St. Petersburg magazine.*** LesPromInform published an article on the achievements of the FOREST Project in the region of Krasnoyarsk.

3. Success Story

Using innovative techniques to train Russian Foresters in communications and public outreach.

FOREST partnered with the Krasnoyarsk Forest Fire Prevention Information and Resource Center to improve the communications skills of local foresters. The training used a methodology focused on an interactive, hands-on approach to provide foresters with real life situations and best practices for effective communication.

Local foresters were active participants in the learning process, presenting their own techniques and sharing their experiences in working with local populations in the region. At the end of the course several of the participants praised the level of interaction that was included in the seminar

and noted that the approach was a significant departure from other training seminars. Many thought that the seminar was well organized and easily understood. The participants came away with a broad perspective of communications techniques used by other foresters from across the region. This is leading to a process of institutionalization of FOREST's fire prevention tools into the Russian Federation.

4. Project Focus Areas – Activity Information

Ongoing activities:

- Development of the “how to” manual for implementation of public awareness programs to prevent forest fires. Increasingly more specialists are getting involved in the creation of this manual. The draft version was recently printed and distributed to organizations interested in using the manual for project implementation. The manual will assist local partners in the implementation of public awareness activities to prevent forest fires during the fire season.
- Organization of roundtable meetings for discussion and review of the manual to increase public awareness to prevent forest fires.
- Consultations for the resource center in Krasnoyarsk.
- Strengthening relationships with project partners in Khabarovsk, Krasnoyarsk, Irkutsk, and Sakhalin.
- Preparation to print and distribute Newsletter № 7.
- Consultation on the construction of recreation zones in Primorski Krai.
- Dissemination of fire prevention educational materials for lectures, implementing public awareness programs, seminars, and contests.
- Printing and distributing the modified educational fire prevention program for school teachers, extracurricular education specialists, Junior Forest Rangers leaders, and the Khabarovsk and Krasnoyarsk Krai Forest Service.
- Strengthening relationships with identified NGOs of Khabarovsk, Krasnoyarsk, and Primorski Krai; and Sakhalinskaya and Irkutskaya Oblasts.
- Updating Krasnoyarsk Resource Center's web-site.
- Development of Krasnoyarsk Forest Museum's web-site.
- Development of the manual of sustainable public awareness programs for forest fire prevention.
- Development of the summer project “Eco bus” on Sakhalin in partnership with several ecological NGOs and schools. The ecological project will use theater performances focused on the theme of forest fire prevention.

Upcoming activities:

- Earth Day activities on April 22nd.
- In April a lesson from the fire prevention school program will be given at the Ecological–Biological Center of Khabarovsk Krai.
- In April a working group meeting will take place for the ongoing development of the manual – focus on public awareness programs for forest fire prevention.
- Meet the chairman of Wild Rosemary, a local NGO, to discuss the possibility of developing a training video on forest fire prevention programs.
- Training teachers in the southern districts of Krasnoyarsk Krai on the fire prevention program.

- Training foresters of Krasnoyarsk Krai to improve their communication skills and strive for more effective forest fire prevention efforts.
- Developing agreements with Krasnoyarsk Railroad Department, the Municipal Department of Transportation, river transport authorities, central bus station, and the river port, for posting fire prevention public service announcements.
- Organizing a roundtable meeting for education specialists to discuss a modified fire prevention program for schools.
- Conducting a training seminar for NGO staff in the organization of forest fire prevention awareness activities.
- Facilitating a working group meeting with mass media representatives from Khabarovsk Krai.
- Conducting a seminar for librarians on the possibility of presenting project educational materials for forest fire prevention in the libraries of Khabarovsk Krai.
- Preparation for the next session of Advisory Council Meeting in Moscow.

5. Results by Objectives (Indicators)

Indicators	Previous Total	New Total
1.6.5 (3) Number of groups, participating in Forest Fire Prevention Education Communication Programs	642	647
2. NGOs	20	24
3. Population groups	0	52
4. Mass media	0	61
5. Schools, organizations, extra-curricular education institutions	386	387
6. Leskhozoes	0	123

6. Key Deliverables Accomplished Per Approved Working Plan

- Outlined the primary sections of the manual for public awareness programs with reference to the prevention of anthropogenic forest fires in Russia.
- First version of the modified fire prevention school program prepared.
- Seminar held for secondary and university level education specialists of Khabarovsk Krai on the school program for fire prevention.
- Trainings for foresters (Krasnoyarsk Krai) conducted to improve communications skills in work with local communities.
- Preparation and distribution of the FOREST strategy for forest fire prevention and general awareness among Advisory Council members.

B. Pest Management (Natural Resource Management)

1. Overview

Pheromone monitoring provides permanent information on forest insect pest populations. Siberian moth outbreaks occur about every 11-13 years in the fir and pine forests of Siberia and

the Far East. Early detection of the outbreak population provides the basis for more efficient control of this pest. The routine procedure of sampling larvae to detect outbreaks is labor intensive and essentially ineffective during the first 5-8 years after an outbreak. For example, analysis of data collected by the Krasnoyarsk Center of Forest Protection during first 4 years after the last outbreak showed two thirds of the larvae sampling plots provided no information about Siberian moth populations. Although the Siberian moth population definitely was there, its density was so sparse that routine sampling resulted in zero catches of larvae. To improve sampling results under these conditions the procedure requires a significant increase in the number of trees sampled however such a procedural change causes a major increase in the cost of sampling. Contrary to sampling larvae, the use of pheromone traps on the same plots over the same period has always provided good information. Trappers have located male moths attracted by the pheromone (artificial scent of the female) in each trap. These results definitely display that the use of pheromone traps in low density populations will supply foresters with much better information and will insure timely detection of an incipient outbreak --- thus allow for early treatments and additional cost-savings in reduced loss of both timber and non-timber resources.

2. Highlights

- ***Siberian Moth Outbreak Prediction Model (ecosentinel/SM) to be Discussed at Global Forest Watch Meeting in Moscow.*** During the week of April 19-23, the World Resources Institute (WRI) and Russian partners in Global Forest Watch, on a subcontract from the Joint Research Center of the European Union, will participate in an expert workshop in Moscow to identify forest change hotspots in Russia. Approximately 10-15 experts will be invited that together represent the best knowledge of forests in all corners of Russia. In addition, the organizers plan to use this unique collection of forest experts convened in one place and at one time to discuss the needs for forest monitoring and showcase new technology such as EcoSentinel/SM for actually doing monitoring. As discussed in a recent meeting with WRI and WI in Rosslyn, Virginia, there is a very interesting link between EcoSentinel/SM and satellite monitoring of forest insect outbreaks. Another potential use for EcoSentinel is the link between forest practices (illegal or inappropriate logging) and satellite monitoring and similarly for monitoring fire, forest sustainability and forest certification. All of these different applications for EcoSentinel come about as a result of its unique capability to use spatially referenced data to generate maps showing precisely where some forest activity is occurring. This feature can also be transferred to satellite imagery so that specific areas can be better targeted and observed over time.
- ***Second Field Guide on Russian Forest Pests and Diseases Completed.*** The Russian Center of Forest Protection, in one year, has completed work on a field guide for Methods of Forest Pest and Disease Monitoring. The Center united the efforts of 20 leading Russian experts on forest protection and each prepared a chapter in which the primary methods used in forest pest monitoring were described in detail. The main focus of this book is concentrated on methods newly developed by the FOREST Project – forest protection zoning, use of GIS and GPS technologies in forest protection and sampling techniques using pheromone traps. The FOREST Project Grant program supported work on the field guide. A final draft of the book will be submitted to the Ministry of Natural Resources for external review. The Advisory Council will receive copies of the new field guide which will be prepared for presentation in June.

- ***Forest Protection Map for Primorski Krai Completed.*** A team of forest entomologists, from the Far Eastern Forest Management Institute and Institute of Forest of Russian Academy of Sciences together with a professional cartographer from the Pacific Institute of Geography, Russian Academy of Science, have created a unique map. Using forest inventory data, they depicted forest stands with different levels of susceptibility to the most important insect forest pests of Primorski Krai. The team selected areas where the most important species occur for monitoring on each leskhose. They then divided the entire area of the Krai into 8 forest health regions, each of which differs in diversity and potential damage from pest species. This information will help the local forest administration plan pest monitoring activities and better evaluate the amount of effort and funds needed for forest protection.

3. Success Story

Ministry of Natural Resources to Publish 3,000 Copies of Forest Protection Field Guide Developed by FOREST Project.

“This unique book on Diseases of Forest Trees is included in the publication plan for 2004” advised the Chief of the Forest Pest and Diseases Protection Department of the Ministry of Natural Resources, Dr. Lubov Matusevich. The FOREST Pest Monitoring Team developed the idea for the field guide in concert with the FOREST Pest Monitoring Working Group. Using this guide, foresters will be able to identify pathogens in the field effecting leaves, stems, seeds and fruits for the most important forest tree species in Russia. The field guide contains more than 200 full color photos and will greatly facilitate improved identification of diseases. The target audience for the field guide is staff in the Russian Forest Protection Service. The 3,000 copies will cover the needs of all leskhoses and individual foresters in the Russian Federation.

Russian Forest Protection Agency “Roslesozaschita” Proves Usefulness of Results of FOREST Project Grant Program.

The Russian Center of Forest Protection or “Roslesozaschita” expressed satisfaction with the Forest Health Management Plans developed for two leskhoses in Primorski Krai. The two prototype forest protection plans were developed by the Pest Monitoring Team under the FOREST Project Grant Program and are the first of their kind in Russia. Two very different leskhoses were chosen for this work – Arsen’eyvskiy (situated in a highly populated area and specialized for reforestation) and Mel’nichnyy (situated in the northern mountainous region, an area that has an emphasis on logging). The methods used to monitor forest pests in these regions are now the most up-to-date and are based on large-scale forest protection zoning maps prepared for each leskhose. Locations of sample plots for monitoring the primary insect pest species were identified and a forest protection activity schedule was developed for each forest pathology area. The Ministry of Natural Resources wants every leskhose in Russia to have a similar pest monitoring plan. Each plan will identify the primary factors affecting forest health as well as critical forest units where these factors should be monitored. According to Ministry officials, similar plans will be suggested for implementation in other regions of the Far East and Siberia.

FOREST Project Methodology Institutionalized in Forest management in Siberia: The creation of forest protection maps for forest management in Krasnoyarsk Krai, Irkutsk Oblast and the Republics of Khakasiya and Tuva have already demonstrated their usefulness. This is evidenced by the fact that the Russian Federal Forest Protection Agency and Local Forest

Protection Centers in other regions of Siberia, not included in the original project design, requested assistance in the development of such maps for their regions. With assistance from FOREST Project consultants, electronic maps for forest protection have just been completed by the Centers of Forest Protection in Tomsk Oblast and in the Republic of Buryatiya. Tomsk foresters provided detailed information on both recent and historical pest outbreaks in the region. Tomsk Center Director, Alexander Chemodanov stated that “The newly developed maps will delineate the taiga regions that are highly susceptible to defoliation and will be the primary tool for planning pest monitoring activities in the future”. Alexandr Seredking, Director of the Buryat Forest Protection Center and the Chief of the Buryat Department of Forest Quarantine Inspection provided funding for development, publication, and distribution of the maps. With assistance from the project, GIS technology and information have been used to develop these forest pathology zoning maps that are now being widely used throughout Siberia thus insuring their long life and intensive use long after the FOREST Project ends.

4. Project Focus Areas – Activity Information

Ongoing Activities

- ***Forest Pathology Map of Sakhalin Island in Preparation.*** This map, similar to that of Tomsk Oblast, will delineate the possible areas of pest activity over the area. The map will ensure placement of an optimal network of insect pest monitoring stations to protect forests in the most economically important areas of the island. Areas with oil and gas production industries, primary forest resources and recreation areas are all receiving special attention.
- ***Forest Pest Monitoring Information from Sakhalin Island Delivered to Russian Center of Forest Protection.*** The Russian Forest Protection Agency—Roslesozaschita—requested sampling data for Siberian moth adults and larvae that had been collected with the help of the FOREST Project by Leskhoz staff on Sakhalin. They will now integrate these data into the state database on forest pest and disease monitoring, another significant step in institutionalizing the new forest pest monitoring system.
- ***Training on GIS Methods in Forest Protection:*** The Centers of Forest Protection organized two technology transfer workshops during February. One in the Forest Protection Center of Krasnoyarsk Krai had 12 participants; the other in the Forest Protection Center of the Republic of Buryatiya had 22 participants. The workshops focused on implementing the latest techniques of geographic information systems (GIS) for planning for forest pest monitoring. FOREST Project consultants from the Sukachev Institute of Forest, Russian Academy of Science conducted the training.
- ***Forest Protection Map for Khabarovsk Krai:*** Dr. Galina Yurchenko, the leading entomologist at the Far Eastern Institute of Forest Management in Khabarovsk collated all existing information on forest pest outbreaks in the Krai and developed special forest protection zones for this territory. Now, the identified zones will be ranked on the risk propensity of a pest outbreak, and mapping will be completed.
- ***Sakhalin Island Forest Protection Map:*** Consultant Dr. Galina Turova analyzed this year’s field data and is in the process of assembling historical data on forest insect outbreaks in Sakhalin Oblast. Dr. Turova found that areas of recent Siberian moth outbreaks coincided with areas where there are oil reserves in the northern part of the island. This means that potential outbreaks of Siberian moth in the future could contribute to the degradation of forests in this future industrial territory.

- ***Second Volume of Field Guide Series on Russian Forest Pests and Diseases Completed:*** The Russian Center of Forest Protection completed work on the manuscript -- Methods of Pest and Diseases Monitoring. The work was supported through the FOREST Project Grant program. The manuscript will be sent to the Ministry of Natural Resources for external review and will be prepared for presentation to members of the Advisory Counsel at their next meeting in Moscow.
- ***Forest Protection Map for Primorski Krai:*** FOREST Project consultants, using extensive forest inventory data, have now created a pathology map for the region. The map displays forest stands with different levels of susceptibility with reference to the most important insect pests of Primorski Krai. The map divides the Krai into 8 forest health regions each of which differs in diversity with potential damage from their pest situations. This information will help the local forest administration better plan pest monitoring activities and evaluate the effort and funds needed for forest protection.
- ***Tomsk Oblast Forest Pest Outbreak Map:*** The Center of Forest Protection of Tomsk Oblast has collated all information on past forest insect outbreaks. FOREST Project consultants digitized these maps and the information is now in the form of several digital layers on a GIS database. All of this information will be incorporated into an electronic map which will display forest insect outbreak regions throughout the Oblast.
- ***Siberian Center for Forest Certification:*** Working with the Sukachev Institute of Forest, the Center completed forest protection zoning for Krasnoyarsk Krai. The next step will be an economic evaluation of forestry resources in each forest protection region and preparation of a monitoring and protection action plan for implementation.

5. Results by Objective (Indicators)

SO 1.6 Environmental Resources Managed More Efficiently to Support Economic Growth

IR 1	Previous Total	This Quarter Total	LOP total	Comments
(1) Number of improved environmental practices adopted in targeting regions.	7	7	7	Siberian moth monitoring methodology improving forest protection practices in 7 regions.
	6	6	6	Forest Protection Maps for the region, adopted by the Region Forestry Agency
(2) Number of NGOs adopting citizen advocacy program	NA			
(3) Businesses showing improved performance	2	9	9	Local Forest protection Centers in 7 regions; 1 pheromone trap producer and 1 pheromone dispenser producer
IR 4				
(2) Hectares monitored	200,000			
(3) Regions adopting NRM practices	5	8	8	

Number of people trained in this quarter – 139

Number of women working in FOREST Pest Monitoring – 24

6. Key Deliverables Accomplished Per Approved Workplan

Task	Location	Persons Involved	Status/Results
1.1. Prototype predictive computer model	U.S. and Centers of Forest Protection	McFadden, Miller, Parker, Baranchikov, Kobel'kov, Centers staff	Siberian Moth Outbreak Prediction Model is being evaluated in 4 Centers of Forest Protection. A list of suggestions was compiled and delivered to the developers.
2.1. Delineate Regions of Siberia and Russian Far East Forests.	Institute of Forest, Dal NIILKh and Centers of Forest Protection	Baranchikov, Consultants, Centers personnel	Map of Primorski Krai and Republic of Buryatuya have been completed; maps for Tomsk and Sakhalin Oblasts are 70% completed.
2.2. Refinement of Tools for Pheromone Monitoring.	Institute of Forest, Institute of Chemical Means for Plant Protection	Staff of the Institutes	State registration of newly developed Russian fumigant strip was launched. The pheromone concentration optimal for Siberian moth monitoring has been determined.
2.3. Siberian Moth Population Monitoring in Different Regions of Siberia.	Krasnoyarskiy Krai, Tomskaya, and Irkutskaya Oblasts.	Local Centers of Forest Protection, Baranchikov	Field data on 300 pheromone traps distributed on 300 sampling plots in Siberia were analyzed and used in the Outbreak Prediction model by the local Centers.
2.4. Siberian Moth Population Monitoring in Different Regions of the Russian Far East.	Sakhalin, Khabarovskiy and Primorski Krai	Centers of Forest Protection, Far East Forestry Research Institute	Field data on 400 pheromone traps distributed on the 400 sampling plots in the Far East were analyzed and results were delivered to the Russian Center of Forest Protection.
2.5. Pheromone Monitoring of Siberian Moth and Gypsy Moth in Areas with Continuous Trap Distribution.	Krasnoyarskiy Krai, Republic of Khakassiya	Institute of Forest, Leskhoses of Khakassiya	Data from 600 pheromone traps for Siberian Moth and Gypsy moth were analyzed and used in the Outbreak Prognosis model by local Centers. Results show an increase trend in SM population density over all of the area being monitored.
2.6. Short-term Economic /Analysis	Krasnoyarsk	Short-term Consultant	All work was completed in December 2003
2.7. Inter-Regional Seminar on Forest Pest Monitoring	Krasnoyarsk	Institute of Forest, Consultants	Completed in December 2003. Papers for seminar proceedings were collected and are now 60% edited.
2.8. Handbooks Preparation	Moscow	Russian Center of Forest Protection	"Methods of Forest Pest and Disease Monitoring" Field Guide was completed and prepared for external review by the Ministry of Natural Resources. Preparation of the "Forest Pest" Field Guide was launched.

3.1. Technical Coordination	U.S., Krasnoyarsk, Khabarovsk, Moscow	McFadden, Parker, Baranchikov, Tsykalov, Kuzmichev	<ul style="list-style-type: none"> • The Working Group meeting scheduled for June 2-4 is under preparation. • Meeting with Russian Center of Forest Protection and Ministry representative on the Year 5 Working Plan (scheduled for April 22-23) was scheduled. • Revision of Year 3 final report was submitted and approved. • A draft of the Year 5 Plan of Work and Budget is in preparation and will be discussed with the main partners in April. • 3 monthly reports and 1 quarterly report were prepared and submitted. • 3 Monthly reports by 4 consultants in Siberia and 3 consultants in the Far East were checked and approved. • 2 Agreements and 3 amendments for short term consultants were drafted, signed and monitored. • The Russian Coordinator met with the main partners, reviewed and accepted their work during January - March (Russian Center of Forest Protection, Institute of Chemical means of Plant Protection, Far Eastern Institute of Forest Management, Sukachev Institute of Forest, Siberian Centre of Forest Certification; Khabarovsk, Krasnoyarsk and Buryat Centers). • Consultative meetings with Project Directors occurred in February. Russian Coordinator had phone consultations and reports with Project Vice Director E. Kuzmichev (1-2 times per month) and with Krasnoyarsk Office (2-3 times per week). Limited number of conference calls with The Heron Group were useful additions to daily e-mail communication.
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C. Non Timber Forest Products and Secondary Wood Processing (The Building of Democratic Institutions)

1. Overview

FOREST Project market studies and mill assessments have identified the opportunity to build trade and investment linkages between the U.S. molding & millwork industry and Russian appearance-grade lumber producers. U.S. companies presently bring raw material from South America, New Zealand and other overseas locations. They are interested in evaluating Russian species – particularly red pine, spruce and larch – as potential substitutes; many have already tested Russian pine and found the quality of the material to be high, but have lacked direct contact with suppliers. Importing trial quantities via brokers and wholesalers, without contacts with the producers themselves, has made it difficult to correct quality problems and expand volumes. Assisting Russian suppliers of kiln-dried, appearance-grade lumber to enter the U.S. market would provide a mutual benefit. This product would provide a value-added processing opportunity for the Russian industry. Targeting kiln-dried lumber producers only will have no

negative effect on U.S. production: the leading molding & millwork firms increasingly bring this product from overseas already, and alternate suppliers in Russia of an even higher-quality grade of material will better allow them to compete and retain forest industry employment in the U.S. Additionally the benefits to the Russian forest products industry are likewise significant. Russian producers capable of supplying kiln-dried lumber in appropriate grades, quantities, and specifications would find ready buyers for large volumes of the highest-priced product on the American softwood market. To enable this exchange to occur, Russian producers will need to learn and consistently meet very strict customer requirements and ensure that a product that is properly milled, graded, dried, and wrapped arrives, on time and with very little variability, all the way to the customer's door. This work is leading to new partnerships and opportunities for both Russians and Americans.

2. Highlights

- NGO Krasnoyarsk Partnership of NTFP processors had a meeting summing up the results of their participation in the Natural Products Expo West trade show. They have concluded it is necessary to receive assistance in organic certification of pine nuts, essential oils, mushrooms and herbal teas which are now in large demand in North America.
- A Krasnoyarsk Krai program entitled "NTFP Harvesting and Processing 2005-2011" is being considered and FOREST presented comments and additions to the program through its partner, NGO Krasnoyarsk Partnership of NTFP processors.
- New members have joined NGO Krasnoyarsk NTFP Partnership making it an interregional Siberian association now including member companies from the Republic of Khakasia and Tomsk territories.
- *Fito-Sinto* signed a contract to supply its phyto teas to *Karavai* supermarket chain, shipping its products to 11 stores in the largest cities of Krasnoyarsk Krai. In addition, a new agreement has been signed between *Fito-Sinto* from Krasnoyarsk and an individual entrepreneur from Tomsk involving production of natural products in Krasnoyarsk and Tomsk territories
- An analysis of future cooperation between NGOs Region 7 and KP NTFP was performed by a Russian VE and 3 contracts were signed for shipping raw materials from Siberia to be further processed in the Far East.
- A *Bank of Moscow* branch located in Yuzhno Sakhalinsk expressed interest in collaboration with the Sakhalin Association. A bank representative asked for the company database and expressed their intention to attend to the next Board meeting to present the bank's new products to Sakhalin wood processors.
- A host national volunteer provided technical engineering assistance in kiln assembling to *KIK Taseevo* company in Krasnoyarsk. Additionally, Sergey Pugachev, the first reverse VE who completed his assignment in November is now an official partner of. His company is one of the five authorized by Freightliner LLC in Russia. The trucks shipped through this new dealership will serve a Komsomolsk-based Russian JV producing veneer.

3. Success Stories

SWP Study and Trade Tour to the USA

In January, a delegation of Russian forest products company directors and high-level government representatives from areas of Siberia and the Russian Far East traveled to the Pacific Northwest to meet their counterparts at U.S. companies. The primary purpose of the trip was to foster mutually beneficial relationships between Russian mills producing kiln-dried pine, spruce and larch lumber, and U.S. finished product producers seeking to expand their supplier base. The Russian sawmill owners were very pleased with their reception by U.S. companies. US companies were very enthusiastic about the quality of Siberian red pine and view these species as a good substitute for Ponderosa Pine. Very good discussions took place with all the companies visited and most were willing to discuss all aspects of lumber purchases of red pine lumber from Siberia, including prices, grades, specifications, etc. US companies stated that they are prepared to buy red pine appearance grade lumber immediately if quality can be guaranteed to meet U.S. standards.

From the initial comments and impressions of the Russian participants after only a few days, the tour accomplished many of the objectives that were set out during the trip planning. The participants got a clear understanding of the needs of the American market. The US firms were offering concrete proposals to the Russian companies for exporting product. Russians and Americans have had clear and frank discussions about what needs to happen for trade to occur.

The success of the Russian sawmill tour of U.S. molding, door, window and millwork producers has ensured that all the companies participating in this tour will host the U.S. tour to Siberia. As a result, word of the market opportunity in the U.S. for appearance grade Russian red pine and larch lumber realized by the tour participants will be passed on to other companies.

The Russian sawmill group demonstrated a very strong interest in all aspects of U.S. manufacturing operations. They asked many important questions throughout each visit and in turn received direct answers from most manufacturing companies. Questions about current prices for specific products and grades were answered directly by most manufacturers. Many of the companies stated that they are prepared to give purchase orders for twenty or more containers of various specifications of Siberian pine if they can be assured about drying quality, grade specifications, delivery time, and developing a continuous business relationship.

All companies made it clear that the lack of acceptable kiln drying and product grading are the two main factors that have contributed to the very slow growth of Russian pine appearance grade lumber imports even though the U.S. appearance grade pine market is huge and prefers Russian pine to plantation Radiata and Taeda Pine from Chile, New Zealand, and Brazil. The growing shortage of ponderosa pine appearance grade lumber combined with current strong market demand in the U.S. has created very favorable timing for imports of Siberian red pine. Most of the discussions with major U.S. companies ended on the basis that U.S. companies and Russian companies would maintain e-mail contact to develop specifications and details for trial containers of specific products.

The tour also visited the head-office of the Western Wood Products Association (WWPA) in Portland. The WWPA grade rules for appearance grade pine are the commonly accepted grade rules in the U.S. appearance grade pine industry. The participants were able to obtain grading books that included pictures of pieces of lumber to indicate the appearance and defect tolerance of each grade. These illustrative books provide additional assistance to Russian companies to understand details of each grade.

The tour representatives from Khabarovsk Krai (Mr. Shikhalev) and Primorski Krai (Mr. Tekiev and Mr. Permyakov) expressed interest in assisting Winrock to arrange a similar two week tour during last half of September for the forest operations in their regions. The Far East regions are more noted for hardwood production (oak, ash, elm, birch, etc) and spruce and fir softwood production.

The trip proved to be rewarding not only for the Russians as American businesses were eager to learn about new business opportunities in Russia. Investments opportunities in the region, Russian Forest Code stipulations, forest lease and concession policies those were the issues presented by high ranking government officials from Russia.

Issues of timber related opportunities and obstacles to bilateral trade were discussed at a Roundtable jointly organized by RAPP (FRAEC) and Winrock. The meeting provided an excellent opportunity to leverage the delegations' visit to the Pacific NW for common interests in supporting this vital industry sector in the RFE and Siberia.

Both Americans and Russians exchanged their views and shared their ideas on how everyone can contribute to eliminating barriers and expanding the existing trade between the two countries. The issues raised turned out to be so vital for both parties and there was so much to tell each other that the time limits had to be violated. It was a long time after the moderator announced the meeting to be over, when the businessmen left the meeting room.

When the Russian participants returned home they immediately started to develop the contacts that they established during the visit. *Kodok* and *Biva* from Siberia contacted Woodgrain Millwork plant (Fruitland, Idaho) who expressed interest towards a partnership and even the possibility of setting up a joint venture with Siberian companies. Both companies now are in the process of preparing a trial container of dried rough lumber for Woodgrain. In addition, more orders for spruce arrived from Maruhon Inc. through a contact made during the U.S. tour.

Learning Through Business Linkage Development

Eight NTFP company and NGO representatives from the Russian Far East and Siberia took part in a trade show/study tour in the US from March 3 – 16, 2004. FOREST Project organized the participation of eight NTFP companies from the Russian Far East and Siberia in the largest natural products tradeshow in North America – The Natural Products Expo West -- which had more than 2,500 exhibitors and 36,000 attendees from 86 countries including 13,000 retailer/buyers, all looking for the latest food, supplement and raw material health food and NTFP items. Through USAID assistance provided with FOREST, Russian companies were represented at the SupplyExpo, a raw materials tradeshow, where they displayed a number of finished products as well as various raw materials from the Russian taiga.

The natural products industry continues to appeal to a broad spectrum of consumers in the US and other developed countries concerned about their health and wellness. As a result, Russian natural products received tremendous attention from show organizers and attendees. More than 50 companies displayed direct interest in the products from the Russian Far Eastern and Siberian forests. In order to provide international buyers insight into the Russian natural products market capabilities, two presentations were delivered by Russian NTFP Association representatives.

During the trade show the Russian delegation attended a dozen seminars on important topics such as organic certification, marketing, consumer education, and legal and scientific requirements for entry of new products into the US market. The delegation also had a chance to get first-hand experience and knowledge from a NTFP study tour throughout the Pacific Northwest where they visited natural products suppliers, retailers, producers and manufacturers.

Such well established corporations as Golden Temple (herbal teas, essential oils, and natural food products), Celestial Seasonings (America's largest specialty tea company), and Aveda (organic/sustainable hair, body care and beauty products), as well as smaller specialized natural product companies (Trout Lake Farms, Mycological, Himalayan Teas) shared their expertise in best manufacturing/management practices, and provided tours through their storage and production facilities.

Comments by study tour participants are below:

- "I believe that the development of collaboration in the NTFP field is hampered by the insufficient amount of information provided to American corporations on the available species and medicinal uses of Russian natural products, particularly Russian Far Eastern wild growing herbs and berries." – Tatiana A. Stepanova, Ph.D, Department of Pharmacognozy and Botany, Far Eastern State Medical University.
- "Participation in the Natural Products Expo West not only made it possible for us to exhibit our products, but also to get an insight into the current market tendencies, packaging requirements, ingredients constraints, and legislative prerequisites for bringing new products into the U.S. The seminars revealed the importance of organic certification for the US market and the value of sustainable forest management." – Svetlana V. Kosheleva, *Amurbiopharm – Taiga Teas*.
- "Participation in the trade show and the study tour provided me with an opportunity to learn about a number of factors to be considered while trying to enter international markets. We're looking forward to signing new contracts and developing new product ideas as a result of the recent tour." – Marina A. Polyakova, *Dincoma Intellect*.

4. Project Focus Areas – Activity Information

Ongoing Activities

- Development of a Year 5 Workplan
- Assistance to KP NTFP to reorganize into Siberian Interregional Association
- Investigation on Chaga/NTFP sustainability

Upcoming Activities

- Workgroup meetings, April 14, 16

- Identification of potential partners for Siberian Interregional Association in Irkutsk Oblast, April
- Identification of Sakhalin based NTFP processing companies for possible cooperation, identification of their potential and needs
- Assistance to Sakhalin association on developing presentation and marketing materials, May
- Participation at the World Tea Festival in Moscow, May 21-23
- Preparation for an international conference on sustainable use of NTFP to be held jointly with WWF Vladivostok, May
- Assistance to Siberian companies on wood drying to US standards. Wood drying seminar in Krasnoyarsk
- Preparation for Harbin trade show
- Reverse trade tour of US wood-processing companies to Siberia, June 22-July 7

5. Results by Objective (Indicators)

SO 1.6 Environmental Resources Managed More Efficiently to Support Economic Growth				
	<i>Year Four</i>	<i>This quarter</i>	<i>Life of Project</i>	<i>Details</i>
IR 1.6.1.1 - Business associations strengthened	7	0	7	This indicator counts only new partner associations, not continued activity of existing partners, which is reflected in sub-indicators. Six of seven NGO partners recorded results on the sub-indicator for development of new services in Year Four.
IR 1.6.1.2 - Businesses participating in associations	2	0	205	2 new members through new association partnerships; 'Region 7' added 2 members in third quarter. 2 new companies have been identified in Irkutsk oblast which will soon join Siberian NTFP association
IR 1.6.1.3 - Businesses showing improved performance	17	2	56	KODOK and Biva companies have received orders for the shipment of trial containers of lumber.
SO 2.1 More Open, Participatory Society				
	<i>Year Four</i>	<i>First quarter</i>	<i>Life of Project</i>	<i>Details</i>
IR 2.1.2.2 - Advocacy campaign conducted	0	0	1	

Other Relevant Indicators				
Training participants (female) Female number represents a minimum; more women may have participated but numbers not available.	164/23	78/8	673(105)	Trainings in third quarter: <ul style="list-style-type: none"> • 13/1 people participated in SWP study tour. • 57/4 people participated in wooden framed houses conference • 8/3 people participated in NTFP study tour
	<i>Year Four</i>	<i>Details</i>		
New employment	332	<ul style="list-style-type: none"> • “Lynx” – 100 seasonal jobs, 3 permanent jobs • “Limonnik” – 200 seasonal, 20 permanent 		
New enterprises	0			
New production lines, products, or technologies at existing enterprises	5	<ul style="list-style-type: none"> • SWP “Forest Line” – dry kiln • “Dynasty” - \$733,000 glue laminating production line • NTFP “Amurskaya Promyslovaya company new products (sauces) • “Ecovit” – new bottling line • SWP “Kik Taseevo” has installed a new drying kiln 		
Overall increase in association membership				
Export contracts through trade shows and e-commerce (number and value)	\$62000 worth one time contracts \$13600 monthly contracts signed for indefinite time period \$1,757,000 one time contracts; \$50,000 monthly contract	Tokyo HI trade show “Forest Products” \$100,000 “Vostokpushnina” \$150,000 “Limonnik” \$370,000 Result of Hong Kong trade show “Lynx” \$1000000 Magic tea & Coffee aroma “Amurbiopharm” \$137000 “Dincoma” \$50,000 a month contract with a steel manufacturing plant in the Urals KODOK and Biva has sign a contract for a trial shipments of lumber		

6. Key Deliverables Accomplished Per Approved Workplan

Year Four Task per Workplan	Deliverables per Workplan	When and How Accomplished	Comments
i. Coordinate cost sharing for Trade Missions; begin to prepare member companies to fund these activities through their sales revenue	3 associations and 6 companies participated on a cost sharing basis in World tea	September, 5-7 Moscow	Immediate contracts have been signed by “Dincoma” worth \$6500 a month and “Amurbiopharm” worth \$3400. Participants have been invited to participate in Magic Tea and Coffee

	<p>festival.</p> <p>3 associations and 8 companies participated in HI Trade show</p> <p>3 associations and 5 companies participated in “Dalintermed” trade fair</p> <p>3 associations and 4 companies participated in Tea & Coffee Magic Aroma trade show</p> <p>1 association and 7 companies participated in SWP trade tour to the US</p> <p>3 associations and 8 companies participated in Natural Products Expo West trade show</p>	<p>October, 6-9 Tokyo</p> <p>November, Khabarovsk</p> <p>December 16-19, Moscow</p> <p>Jan, 19-Feb, 3, US West coast</p> <p>March 3-15, Anaheim</p>	<p>Aroma trade fair to be held in Moscow in December</p>
<p>ii. Increase capacity of the Association leaders and members to a) track, monitor and coordinate participation in international trade shows, linkage missions, and other activities to promote trade and technology transfer, and b) communicate with international</p>	<p>4 Associations participated in trade tours</p>		

donors, governments and private companies			
iii. Conduct Study Tour for association members to USA	SWP study tour, January 2004 NTFP Study tour, March 2004		
iv. Provide "Association Presentation Skills Training," improving associations' ability to represent and market themselves to global firms, grant making institutions, etc	Seminar on presentation skills improvement for KP NTFP Workshop on presentation skills, conducting international negotiations and preparation of company profiles for SOD Workshop on presentation skills, conducting international negotiations and preparation of company profiles, product lists for NTFP companies	July, 1-6 th , Krasnoyarsk December, 2-5 Krasnoyarsk February, Khabarovsk	2 associations participated, 10 participants. Profiles have been developed for "Malakhit", "TTS-Les", "KODOK", "Biva" and "Angarskaya Lesopromyshlennaya Company" 2 presentations developed for KP NTFP and RFE association of NTFP processors, Product lists developed for 8 participating companies
v. Engage in direct capacity building within the Associations, including services identification and development for sustainability, Training of Trainers for specific technical skills (such as kiln drying, contract negotiation, Information Resources) by Association representatives enabling them to offer fee-based training to members	Organic certification consultants have been trained for Krasnoyarsk and RFE NTFP associations as well as "Region7". DOD	July-August, 2003, Khabarovsk December, 9-	5 representatives from three associations have been trained

	Executive director has been trained at a workshop in Moscow new technologies	14, Moscow December, 23, Khabarovsk	1 rep from DOD has been trained. Upon the return to Khabarovsk he organized training for DOD members
vi. Facilitate regional association collaboration development	Strengthening of contacts between “Region 7” and NTFP companies from Krasnoyarski Krai		Creation of Siberian Interregional NTFP association scheduled for April
vii. Facilitate and provide training in NTFP certification processes via the NTFP associations	Organic certification training	The training took place in Khabarovsk July, 28 th – August 8 th .	Three associations and 13 companies participated in the training. 20 participants were trained (8 women)
viii. Facilitate NTFP regulation development	Two Russian VE have developed a concept program for Sakhalin		NTFP regulations developed and pending for approval by Khabarovsk Krai Duma At the request of Sakhalin oblast Administration FOREST developed a concept program on sustainable NTFP usage and provided recommendations to improve harvesting regulations for oblast.
ix. Coordinate with the new SME Project in the Russian Far East, identify synergies and places where we can complement each other’s work			Forest and ESD coordinated participation in the HI trade show, Japan Wooden framed housing construction workshop in Sakhalin. Wooden framed housing construction conference in Khabarovsk

D. Renewable Energy Alternatives/Biomass

1. Economic Overview

FOREST's biomass energy activities support national objectives to strengthen the forest products industry and the economy of Russia. FOREST continues to receive numerous requests from companies in search of assistance to develop biomass energy systems capable of burning wood wastes. As the private sector continues to grow, an increasing number of Russian companies are seeking ways to cut costs and add value to raw logs. The restructuring of the United Energy Systems of Russia and the difficulty in forecasting energy tariffs has also created an unstable energy environment. Thus, for many companies, investing in biomass energy systems fueled with wood wastes makes compelling economic sense. Companies save by utilizing biomass wastes for which they currently pay a disposal cost, and by replacing purchased fuel and electricity with self-generation. Companies also earn profits by utilizing biomass systems to produce wood products with greater value for local and international markets.

FOREST has worked closely with its partner companies in the design, start-up, commissioning, and operation of facilities. For instance, FOREST assisted Dynasty of Voyage, LLC to increase its boiler and dry kiln capacity. The company is expected to increase profits by USD 130,000 in added value per year and save USD 10-20 thousand in avoided landfill costs. As part of FOREST efforts to raise understanding among the Russian forest products industry in the efficient use of wood residues, FOREST will bring a group of Russian specialists to the U.S. for a study tour of efficient wood energy use in the U.S. forest products industry in April 2004. The study tour will consist of training sessions on boilers, dry kilns, and turbines and site visits to biomass facilities in the Northwest region of the U.S.

2. Highlights

- Long-standing FOREST partner company Terneyles (Primorski Krai) has successfully installed three biomass boilers (4.2 MWt total capacity) to provide heat to four dry kilns (480 m³ total capacity). Once the boiler-kiln system is installed, the company will be able to utilize 10,000 m³ of additional woodwaste to produce an additional 20,000 m³ of added value lumber per year.
- FOREST partner company Ros DV (Khabarovsk krai) has completed the foundation for a new dry kiln-biomass boiler system, and has requested FOREST technical assistance in identifying companies from which to consider purchasing equipment, including used U.S. equipment, for a 1.5 MWe biomass cogeneration plant.
- FOREST partner company Dynasty (Khabarovsk krai) finalized the design and equipment selection of an electronic control system for a 1 MW biomass boiler-kiln facility installed in April 2003 with FOREST assistance. FOREST is assisting the company to submit an energy conservation grant application to ROLL in March/April 2004 to finance the control system.
- Having installed, commissioned, and performed full-scale industrial tests on two boilers capable of burning bark, the first of its kind to run efficiently in Russia, FOREST partner company Igrim-Tairiku (Irkutsk Oblast) is currently negotiating with Biysk Boiler Plant to purchase a third boiler (6 MW thermal) to provide heat for four dry kilns (150 m³ capacity each). The total added value from the sale of dry-kiln lumber from the additional boilers will be approximately USD 0.7 million per year.

- FOREST Partner company TM-Baikal (Irkutsk Oblast) completed the design of two new Biysk manufactured KE/10/14 biomass energy boilers (13 MW) to supply heat to improve its wood-processing capacity. The project is pending approval in accordance to Russian regulations. TM Baikal produces 60,000 m³ of woodwastes per year and has requested FOREST assistance to improve the efficiency of its boilers to produce 115,000 m³ of dry lumber. The company expects to earn USD 2.9 million per year from added value dry lumber.
- Sigma-Forest has successfully installed and commissioned two new dry kilns (total capacity 160 m³) from Incomac, Italy and one biomass boiler (thermal capacity 1.2 MW) from Tver, Russia. The company has increased its dry kiln capacity by 210 m³. Two FOREST technical experts worked alongside company representatives to improve their understanding of hard-wood drying processes and operation of control devices.

3. Success Story

Construction of Koetter boiler-dry kiln system complete at Ros-DV (Khabarovsk Krai)

Partner-company Ros-DV (Khabarovsk Krai) has successfully constructed a new biomass boiler-dry kiln system from the U.S. manufacturing company Koetter. Since the beginning of 2003, FOREST has provided ongoing technical assistance to the company to construct this biomass system. FOREST technical experts assisted Ros-DV to select equipment and negotiate with Koetter for the purchase of U.S. equipment: three dry kilns (100 m³ capacity each), a boiler (600 kW), and a spare parts kit for a total amount of USD 322,230. With this equipment, the company will be able to utilize 2,500 m³ of additional woodwaste per year and produce an additional annual revenue of USD 200,000 per year. The company has requested FOREST for additional technical assistance in installing a recently purchased 1.5 MWe cogeneration plant and another biomass boiler-dry kiln system for the remote settlement of Sukpai.

4. Project Focus Areas – Activity Information

Ongoing Activities

- FOREST is providing assistance to partner company Agat-Plus Co., (Nakhodka, Primorski Krai) to submit an energy conservation grant application to ROLL in March/April 2004 to finance the modernization of a wood-waste briquette facility.
- FOREST is providing technical assistance to partner company Business-Marketing Co., (Khabarovsk krai) to select equipment for a 4.5 MW biomass boiler
- FOREST is providing technical assistance to Kamenskoye LLC in the expansion of its biomass energy system from a currently installed 200 kW to 1100 kW thermal capacity.
- FOREST is cooperating with the Khabarovsk Ministry for Fuel and Energy and the Khabarovsk representative of the State Energy Supervision Department of Ministry of Energy of the Russian Federation (Gosenergonadzor) to promote biomass energy technologies in Khabarovsk Krai.

Upcoming Activities

- FOREST will host dry kiln seminars in Siberia and the RFE in July 2004 to raise understanding among the Russian forest products industry in the efficient use of wood residues.
- FOREST will bring a group of Russian specialists to the U.S. for a study tour of efficient wood energy use in the U.S. wood products industry in April 2004. The study tour will

consist of training sessions on boilers, dry kilns, and turbines and site visits to biomass facilities in the Northwest region of the U.S.

- In collaboration with the SWP team, the FOREST biomass component is organizing a trade mission bringing U.S. wood-processing company representatives and their Russian counterparts together in Siberia in June-July 2004.

5. Results by Objective (Indicators)

SO 1.6 Environmental Resources Managed More Efficiently to Support Economic Growth				
IR 1.6.2 Operating efficiency of businesses adopting environmentally -friendly practices improved				
	Year to Date	This Quarter	For Length of Project	Comments
Number of businesses showing improved performance from USAID-supported practices	6	6	15	Assistance provided to the companies described above in the "Highlights" section
<i>Results tracked additionally to the SO table indicators</i>				
Amount of economic benefit received by local businesses as a result of introducing new biomass energy plant	USD 1.4 ml. per year	USD 1.4 ml. per year -	n/a	Terneyles will produce an additional USD 0.6 million per year, Ros DV an additional USD 0.1 million, and Igirma-Tairiku USD 0.7 million from producing higher quality wood products for sale utilizing biomass energy systems.
Number of improved environmental practices adopted in targeted regions (biomass energy facilities installed)	9	9	n/a	Four biomass boilers have been installed at Terneyles and Ros-DV; nine dry kilns have been installed at Terneyles, Igirma-Tairiku, and Ros-DV combined.
Number of local institutions, with increased capacity to design and construct biomass energy facilities	2	2	n/a	Two experts have been trained at partner-company Sigma-Forest on the operation of a biomass boiler (1.2 MWt, Tver, Russia) and kiln system (Incomac, Italy).
Number of people, who received training in biomass energy use through biomass energy workshops, design review meetings, study tours, seminars (male/female/total)	115/50/165	115/50/165	n/a	<p>Presentation of biomass energy technology made to 100 participants at a training exhibition in Cheremkhov district of Irkutsk oblast.</p> <p>Co-hosted an Energy Conservation Seminar in Khabarovsk in March with ROLL. The Biomass Energy Component gave a presentation to 60 participants.</p> <p>Provided on-site training to five specialists at Sigma Company (Khabarovsk)</p>

6. Key Deliverables Accomplished Per Approved Workplan

- In accordance with Task I, “Complete 50 MW thermal of biomass energy facilities at pilot sites” subtask ii. “Construction, commission, start-up of biomass facility,” biomass energy facilities were successfully installed and put into operation at two partner-companies – a boiler-dry kiln system at Ros-DV and a biomass boiler-dry kiln system at Terneyles.
- In accordance with Task III, “Introduce new approaches to improve product lines and increase potential for commercial partnerships, subtask iii “Dissemination of information,” a presentation on commercially-proven biomass energy technologies was made to 100 participants in Cheremkhov district, Irkutsk oblast. FOREST also collaborated with ROLL to host an Energy Conservation Seminar in Khabarovsk in March. FOREST representatives highlighted the contribution the Project has made to implementing the Federal Program for Energy Efficiency and Energy Conservation in the timber industry of the RFE and Siberia The seminar attracted more than 60 representatives from Khabarovsk and Primorskiy krais, and Sakhalin oblast.

7. Other

- There is a shortage of technical publications available for the forest industry in the RFE and Siberia on the utilization of biomass wood wastes to generate heat and power. Discussions are ongoing with equipment suppliers (e.g. Weinig, Homag, Griggio) and U.S. forest product industries about the need to disseminate such technical information.

Trip Reports

All Components

Patrick Perner/Nina Danilyuk, Winrock International.....	1
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Component 1

Michael Mirny, Chemonics	12
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Volunteer Component

Ludmila Khakhaleva, Winrock International	15
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Patrick Perner

Project Manager

Nina Danilyuk

Senior Winrock Representative Officer

Trip Report**Component:** All**Dates of Trip:** January 30 – February 3, 2004**Places Visited:** Krasnoyarsk**1. Purpose/Objectives of the Trip**

- Monitoring of the Project in Krasnoyarsk;
- Meetings with the AC members;
- Participate at the meetings with the Forest Service
- Meetings with the FOREST Project consultants
- Overview Administrative issues

2. Meetings Conducted**Mr. Vekshin, Head of the Forest Service, Krasnoyarsky krai**

The FOREST staff informed Mr. Vekshin about the Project news and the results achieved. Mr. Vekshin briefed the Forest staff with the latest news of the Forest Service. He also expressed his concern about the new draft of the Forest Code. It seemed that the Code was drafted by the people who don't understand the needs and problems of the foresters.

Another concern of Mr. Vekshin is illegal logging problem. Though the official number of the illegal logging decreased (56, 000 qu. m in 2003, versus 74,000 q.m in 2002), it is still a big problem. In 2003 164 cases of illegal logging were officially registered but nobody was punished due to the imperfect legal system. Somebody should harvest 600 qu.m of wood (one time) illegally and then it will be a criminal case. (Usually people harvest 20-30 qu.m of wood one time). The same problem is with the fires. Though there were 600 people, blamed for the fire cause, brought to the court, nobody was punished either. In 2003 there were 1300 fires in Krasnoyarsk krai which damaged 129 000 hectares of timber.

Mr. Vekshin remarked that almost all the timber harvested illegally is transported to China. And even if the logs are harvested legally, in case it is exported to China, the harvesters don't pay the taxes. Thus 250-300 rubles from one qu.m. of timber is not paid to the budget. Another problem indicated by Mr. Vekshin is a large number of small harvesting companies (approximately 1,500 in Krasnoyarsk krai). They don't know the market and sell timber at a very low cost to China (e.g. Angarsk pine is sold at the cost of \$ 30 per qu.m. Chinese companies sell the pine at the cost of \$70-80). So, illegal timber and finance turnover causes big losses in the federal and regional budgets (the loss is approximately \$40 million per year in Russia, \$7 million in Krasnoyarsk krai).

It was agreed that Mr. Vekshin and Mr. Gnezdilov will write a letter to USAID with their proposals for initiating projects in Krasnoyarsky krai.

Meeting with Michael Dorer, head of Krasnoyarsky Resource Information Center (RIC).

RIC got the grant amounting to \$30, 000 for developing and providing different services for the Association members and other SMEs.

Now RIC is working in two main directions:

- Promotion of timber & non-timber forest products
- Seeking the investors

RIC helped to sign a contract for lumber export (the cost of the contract is \$1,500). Now they are negotiating another contract on the construction of the timber processing plant (the cost of the contract is \$1,6 million, term: 2 years). It was recommended to develop other consulting services (like trainings, business programs, etc) in order to become more sustainable.

Meeting with Vladimir Terentyev, head of “Ecovit” co.

Ecovit co. purchased the equipment under the FOREST Project grant to develop and use the complex technology of processing of fir plantings. The FOREST staff visited his plant to be sure that the plant produces 4 kinds of valuable products as a result of processing of fir needles. Mr. Terentyev informed the Project staff about the progress of his company in spite of the fact that in low temperature the equipment can’t work in full capacity.

Mr. Perner and Mrs. Danilyuk conducted a number of meetings with Mr. Tsykalov, the Russian consultant and Wayne Meyer (USA consultant) in discussing different approaches on supporting the Associations and their members as well as discussed administrative issues.

Mr. Perner left to Moscow for the meeting with USAID.

Patrick Perner
FOREST Project Manager
Trip Report

Component: All

Dates of Trip: January 30 – February 15, 2004

Places Visited: Krasnoyarsk, Moscow, USA

1. Purpose/Objectives of the Trip

- Work with FOREST US Consultant on site
- Meet USAID in Moscow
- Meet USAID in DC
- Meet State Department in DC
- Meet Regional Initiative Staff in DC
- Meet with Senior Management of Winrock International
- Meet with Partners on Cooperative Agreement including Heron Group and Chemonics
- Obtain a new Visa for entry back to Russia
- Overview Administrative issues

2. Explanation

The trip was established in this manner to take care of several issues at one time. Mr. Perner went to Washington to meet with the partners and senior management of Winrock for our annual update and status review. This was done so Mr. Perner could also get his new visa during this period and maximize time and territory management. In addition, Mr. Perner flew through Moscow as the USAID mission requested that he also give a status update on the project since he would be flying through Moscow anyway to the USA. And furthermore, Mr. Perner made a stopover to Krasnoyarsk to meet with Regional Administration, and to perform orientation for the new on-site American consultant who will be working in Krasnoyarsk during the next several months.

E. Kuzmichev
FOREST Project Deputy Director
A. Yerokhin
Trip Report

Component: All

Places Visited: Vladivostok

Dates of Trip: February 2 - 6, 2004

Purpose/Objectives of the Trip

To monitor project implementation in Primorski Krai.

Trip Results

1. During the trip we met with the FOREST Project Advisory Council members K. Kuchenko, Deputy Head of Primorski Krai State Department of Natural Resources of the Russian Ministry of Natural Resources, S. Pstyga, Head of Forest Resources Department, Primorski Krai Administration, and V. Shafranski, Recreation Department of the krai Administration. In a conversation with K. Kuchenko we touched upon personnel reshuffle issues within Primorski Krai Forestry Service, gave assessment of the draft RF Forestry Code received by the State Department of Natural Resources for review. In the opinion of the State Department officials, the new version of the Code does not eliminate the existing contradictions and leaves numerous ambiguities in the state forest management system. K. Kuchenko described his vision of the forestry sector problems in Primorski Krai. In his opinion, the practical support rendered to the NTFP producers by the FOREST Project is of special importance today, since the krai MNR and Administration do not pay proper attention to this trend, while the unique NTFP resources available in the krai are used ineffectively. Achievements of individual companies in using NTFP serve as examples for numerous harvesters and producers and stimulate development of the sector based on sustainable nature management. S. Pstyga made a positive assessment of FOREST activities in Primorski Krai and noted a great interest of the krai the Administration to the forthcoming summer tour of American investors and timber importers to the krai. In the course of our conversation we also discussed the issue of development and preservation of recreation zones. V. Shafranski also participated in the discussion of this problem. The krai Administration explained the interaction mechanism of the federal bodies of executive power, Primorski Krai authorities and local power structures in providing forest recreation and fire awareness of the people. Specific measures to ensure stable operation and sustainable development of Karasiye Lake recreation area were outlined.
2. We also had two meetings with FOREST grantees - V. Melnik, Director of Geological Exploration Expedition, and A. Popov, Head of Primorski Branch of Roslesozashchita. V. Melnik reported on the progress in development of the recreation area and on the current activities conducted on its basis. Execution of long-term lease relations with the regional Administration is the main problem that the grantee faces, since the area is being developed in the municipal lands, and not those of the forest fund. A bit later this issue was raised at the meeting with the krai Administration that intends to assist in its resolution. A. Popov reported on conclusion of grant activities on optimization of forest

pathology arrangement of leskhoz. According to him, the produced development is already in demand and krai leskhozes are already making requests to the center to introduce the system. Grant activities allowed the specialists to achieve a new level, to use GIS-technologies, and must become an important step in prevention of pest outbreaks. The developed project is currently being reviewed by the head office of Roslesozashchita in Pushkino.

3. Visits to partnering NTFP producers. Director of Limonnik company E. Seleznyov reported on results of their cooperation with the FOREST Project, and specifics of chaga contracts in particular. Based on his information, the chaga boom in southeastern countries has somewhat decreased. The market is saturated, and the prices are down. The buyers have very strict requirements to the product in terms of its microbiological pollution and biological activity. Such requirements create serious difficulties in harvesting and production and demand expensive appraisals by experts, as well as measurements and certification, which is difficult for a company by itself. Associations could help the producers, but, in E. Seleznyov's opinion, they are weak in coordinating activities. Managers of other companies shared similar opinion a bit later. Companies establish informal partnering communities and help one another through the entire production chain: from harvesting to sale. Therefore FOREST Project assistance is very important, since it is a kind of coordination center for the companies. Workshops, trade shows and Project consultants have rendered and are rendering practical assistance to the companies which products are to serve for the improvement of people's health. Director of Pharmazos Company I. Drabyazg demonstrated their achievements in production of medicinal teas and other remedies popular in Tibet medicine. Their "White Wings" phito tea won a golden medal at the tea festival in Moscow. The company focuses on two components: medical diagnostics of health and treatment of people with medicinal forest products. Many Pharmazas products use unique recipes that include tens of vegetative and forest ingredients. Exclusive products are to be approved by respective structures, which is not easy, and new standards are to be developed. Only after this such products can enter the wide consumer market. I. Drabyazg thanked the FOREST Project for its assistance in this work and asked the Project's help in looking for potential investors interested to invest in their production. Dinkoma Director M. Polyakova reported on their interaction with the Project in promoting their products to the enterprises and regions with unfavorable labor and living conditions. In the course of the preparation for the U.S. trade show FOREST Project is going to assist all these companies through organization of a special workshop in Khabarovsk prior to the tour. During the trip we received a proposal to conduct a workshop titled "Far Eastern NTFP: Prospects of International Cooperation" in Primorski Krai in June.

Nina Danilyuk
Senior Winrock Representative Officer
Evgeny Kuzmichev
Deputy Project Manager, Winrock Representative on Forest Projects
Trip Report

Component: All

Dates of Trip: February 10-13, 2004

Places Visited: Yuzhno-Sakhalinsk

1. Purpose/Objectives of the Trip

- Monitoring of the Project in Sakhalin Island;
- Meetings with the AC members;
- Participate at the meetings with the local Administration and Forest Service
- Meetings with the Oil companies
- Overview Administrative issues

2. Meetings Conducted

Boris Melnikov, Chairperson of the Sakhalin Forest Resources Processors' Association (SFRPA), Director of the "Commodity Trade Trans" co.

Boris Melnikov briefed us on the activities of his company. The company produces sawn timber, dry lumber, planed sawn timber, window frames, door frames, etc.

40% of all products (cant, planed sawn timber) is exported to Japan, 60% is sold in the internal market. The total volume produced by the company is approximately. 420 sq.m per month. Boris Melnikov thanked the Project for helping him to choose and buy the right equipment. He mentioned that the participation at the Trade Shows helps the entrepreneurs in understanding the market and finding good partners/clients. This kind of help is very effective. Speaking about the Association's activities, Mr. Melnikov thinks that the main activities should be:

- providing the members of the Association with quality timely information
- providing all the necessary assistance (e.g. a wood harvesting company should be a member of the Association and supply the companies dealing with wood processing activities with logs on a regular basis)

Mr. Melnikov expressed the opinion of the Association members and asked for help in getting good training and getting more experience in Association activities,(e.g. bringing a volunteer who could help in training).

Saw Filing Center

Vyacheslav Pak, Director of the Saw Filing Center

The Association got the grant amounting to \$ 30,000 for organizing the Saw Filing Center. The Center was created and registered as the legal entity, provided a few training seminars to the specialists, started to earn money, the business institutions recognized the importance of this center in training experts for sawmills & wood processing companies, as well as in cutting tools specialists training. Later on some financial difficulties occur, the director of the center left for retirement. A new person was hired who made the analysis of the center's activity and the equipment. The experts said that the center should buy more equipment to make the center profitable and provide more services to the companies.

A business plan was developed with a help of the FOREST Project volunteer and the sources of funding are now in the process of finding. The main problems facing the center are the following:

1. The lack of good management staff
2. The lack of money
3. Not enough filing equipment
4. The lack of clients data base
5. Lack of information about the Center's activity in the press
6. The license is needed for providing training

The meeting was held with the Association members and representatives of the Sakhalin Administration and Mr. Sosin, deputy director of the Tymovsk professional school #7. After hot discussion it was agreed to move the center to Tymovsk, taking into consideration that the school has:

- The classes
- Owns the hotel
- Space for the equipment
- Trainers
- Students and clients

The school will teach the students to become experts in saw filing. The best students will work at the center and will provide technical support. It was agreed that the Saw Filing Center would be supported by the Timber Industry Department of Sakhalin Administration in gaining second hand equipment, in developing and becoming more sustainable. The FOREST Project will provide technical assistance in bringing more consultants/volunteers to the Center on innovative technologies and equipment. As a result of that the quality of finished products is improved, the products' value added is raised.

Parusnovsky woodworking enterprise Ltd, Alexei Ivanov, Head of the company

Parusnovsky woodworking enterprise Ltd, got grant amounting to \$27,000 for developing feasibility study for construction of cogeneration plant operating on wood waste.

The company is harvesting 20,000 cu.m of timber a year. Mr. Ivanov, the head of the company, is working now with Savings Bank to get a loan to buy the boiler and the dry kiln. He asked the FOREST Project to help him to provide assistance in choosing the right equipment.

Sergei Kotelnikov, Head of the Forest Service of Sakhalin Oblast

The problems of the Natural Resources in general and Forest Service in particular in the Far East of Russia have been discussed. Mr. Kotelnikov informed us about the Forest Service activities in Sakhalin and expressed his concern about the new draft of the Forest Code of Russia., which was developed by the Ministry of Economic Development of RF and didn't solve the old problems, while creating the new ones.

The main difficulties of the Forest Service in Sakhalin are connected with the problems of fires and fire prevention, with forest management and lack of finance.

Mr. Kotelnikov also indicated that the NTFP resources are not harvested and processed in reasonable commercial volume. The NTFP market is not controlled, there is a lack of the rules and regulation for NTFP products harvesting and reserving.

The Forest Service asked the FOREST Project to assist the region in developing such rules and regulations.

Mr.Kuzmichev & Mrs.Danilyuk informed Mr. Kotelnikov that the concept of such a program has been already developed by the FOREST consultants and the work in developing rules and regulations would be continued, using the experience and the paperwork done by the consultants in Khabarovsk.

While making analysis of the recreation zones in Sakhalin, Mr. Kotelnikov stressed the point of the importance of creation of such zones in the sites of leskhozes, as only leskhozes can provide security of the constructions.

He informed that Korsakovsky leskhoz will rebuild the zone in mid May and will keep it. The Forest Service plans to build more sites for recreation, using Krasnoyarsk draft models, developed by VNIIPomLeskhoz.

Mr. Besedin, head of the Timber Industry Department.

The FOREST Staff brought the greetings to Mr.Besedin for his new position. Mr. Besedin cooperated with the Project before, being a member of the Working group of the Timber Processing and NTFP Component, member of the Management staff of the Association. He participated in the trainings and seminars, conducted by the Project.

Mr. Besedin expressed his satisfaction by the Project work and said that he will control the Project's activities in Sakhalin. He will replace Alexander Kotelnikov in the Advisory Council, promised to assist the Association and report the Governor about the Project activity and successes.

Mr Besedin said that the policy of the new Administration in Sakhalin is directed to improve people's life, for the sake of economic development of the region and support of the enterprises.

Mr. Besedin informed the FOREST Staff about the construction of two big wood processing plants in the nearest future and installing new cogeneration plants, using the wood waste. The FOREST Project will provide technical assistance for discussion of the development of these projects.

Mr. Besedin helped to solve the problems with the Saw Filing Center.

The FOREST Staff had meetings with the oil companies:

- British Petroleum (Mr. Podstrechny)
- Sakhalin Energy (Rachele Sheard)
- Exxon (Mr. Allen)

The FOREST staff informed the companies about the Project activities and discussed the possibilities for future cooperation with the oil companies in the field of fire prevention, preserving nature, various species of plants and animals in order to avoid unfavorable climatic

changes and social problems. It was agreed that the FOREST staff will provide the companies with the detailed information about the results and the achievements of the Project in Sakhalin as well as the plans for the beneficially mutual cooperation with the companies/partners of the Project.

Mr. Podstrechny, Safety Engineering and Environmental Protection Manager, said that though BP is working on the design of Sakhalin 4 and Sakhalin 5 projects, they are actively supporting ecological programs in the northern part of Sakhalin (their partner is school at Nekrasovka village, most of the schoolchildren are natives). Mr. Podvstrechny thinks that the FOREST Project could train teachers of this school in implementation of the Forest Fire Prevention School Program. BP also finances different TV projects in regards of health protection, maternity and children protection. It could be possible to develop a joint project on making short films showing rules of the right and safe behavior in the forest.

Mr. Allen, Government and Public Affairs Manager, informed the FOREST staff that the budget of EXXON on ecological projects is already approved for 2004, but it will be rational to discuss the future mutual projects for 2005. EXXON works actively with another project, financed by USAID for providing assistance for orphanages and schools. It was proposed to consider the possibility of partially financing the new version of the Forest Fire Prevention School Program. Mr. Allen was interested to get the samples of the herb teas and other health products, produced by the Far Eastern companies and to present them to the employees working in oil and gas mining.

Mrs. Sheard, Head of Issues and Stakeholder Management, showed big interest in Fire Prevention activities as well as using biomass as the alternative source of energy. Mrs. Sheard remarked that they are looking for the possibilities in helping the companies to install boilers working on biomass, as there is a lot of wood waste in the sites of pipe lines construction.

Meeting with Mr. Robey, Head of the Department of Market, Trade and Services of Sakhalin Oblast Administration.

The rules and regulations of NTFP usage have been discussed. Mr. Robey underlined the importance of developing NTFP products market and trade and ensured the FOREST staff in giving all necessary information to them. Mr. Robey also asked to inform and invite Sakhalin companies into trade missions and trade shows, organized with the help of the FOREST Project.

Patrick Perner
FOREST Project Manager
Nina Danilyuk
Senior Winrock Representative Officer
Trip Report

Component: All

Dates of Trip: March 29- April 1, 2004

Places Visited: Yuzhno-Sakhalinsk

1. Purpose/Objectives of the Trip

- Meetings with the Governor of Sakhalin Oblast, Mr. Malakhov
- Participate at the meetings with the local Administration and Forest Service
- Meetings with Sakhalin Energy co.

2. Meetings Conducted

Meeting with the **Governor, Mr. Malakhov. Kregg Halstead**, the Regional Initiative Coordinator in the Far East also attended the meeting.

Mr. Malakhov highly appreciated the Project's activities in the territory of the Far East as well as in Sakhalin. Mr. Malakhov is well informed about the support which was provided to the timber processing companies, trade missions and trade show, developing of recreation zones as well as fire prevention campaigns. Though the GNP in the forest sector takes only 3% in the total volume in Sakhalin, still the Administration is interested in the development of this sector (Mr. Besedin noted, that 20-15 years ago this data was almost 30%). The problems of the Natural Resources in general and Forest Service in particular in the Far East of Russia have been discussed, as well as US and RF relations.

Mr. Malakhov strongly believes in a sustainable approach to the use of forest resources and asked to increase measures on preventing forest fires. Mr. Malakhov asked the Project to help six timber processing companies which assist to survive the people in the remote villages. This help could be in finding new technologies and new markets, adopting civic democracy reforms. He also emphasized the importance of using biomass as the source of electricity and heat in the remote villages. At the end of the meeting the Governor promised to support the Project's activity in Sakhalin.

Meeting with **Mr. Gorkunov**, Vice Governor and **Mr. Besedin**, head of the Timber Industry Department. At the meeting the problems of the forest economy sector have been discussed. Patrick & Nina informed the Vice Governor about the Project's results and future perspectives.

Mr. Gorkunov also asked for the Project's help in finding the second hand wood processing equipment or the plant which could be installed in Sakhalin Island. The Administration will help to find good location for that equipment. Mr. Gorkunov expressed the hope that the FOREST Project will continue its activities for at least two years in Sakhalin.

Boris Melnikov, Chairperson of the Sakhalin Forest Resources Processors' Association (SFRPA), Director of the "Commodity Trade Trans" Co.

Boris Melnikov thanked the Project for helping him to develop business. Speaking about the Association's activities, Mr. Melnikov proposed that the FOREST Project should organize the Trade Mission for the SWP companies to study the market of the used equipment in Japan and USA.

Mr. Melnikov also suggested that the Association and the local Administration would be very thankful if the Project could help in developing business plan for construction of the wholesales market for lumber and processed timber for the Association members and other timber processing companies. He noticed that there is a big demand for the construction materials from the oil companies. Mr. Melnikov expressed the opinion of the Association members to help the wood processing companies to get good training and get more experience in Association activities.

Sakhalin Energy

The meeting was conducted with Dr. Pandora Snethkamp (Social Integration Manager) and Rachele Sheard, Head of issues and Stakeholder Management. Patrick made presentation on the FOREST Project's activities. Pandora was very interested in the materials and asked for the Russian version of the presentation to show it to the Russian partners. As Pandora informed the FOREST Project staff, the subcontractors of Sakhalin Energy should finance certain social activities in the island in order to solve some problems.

Pandora said, it would be possible to discuss with the subcontractors possible cooperation with the FOREST Project. FOREST Project planning activities, positive attitude of the Governor towards the Project and social policy of Sakhalin Energy would be taken into consideration.

Michael Mirny
Chemonics International, Communications Advisor
Trip Report

Component: 1

Dates of Trip: January 8-21, 2004

Places visited: Moscow, Khabarovsk

1. Executive Summary

During my trip to Moscow and Khabarovsk I met with teachers participating in the forest fire prevention program for school-age children. The teachers gave me important insight into what the program has done well in addition to what can be improved. Pursuant to these discussions we developed a new work plan for the program in cooperation with the C1 Representative in Khabarovsk, school teachers, college administrators, and university faculty in Moscow and Khabarovsk. Following the review I offered practical suggestions to increase the effectiveness of the project. Finally, I had preliminary discussions with a potential mass-media partner in Moscow.

2. Purpose/Objectives of the trip

The purpose of the trip was to improve the quality of existing outreach materials and develop more efficient ways of conducting public awareness and educational campaigns. During the trip I focused special attention on outreach materials that will be used in public awareness programs in the pilot regions of Khabarovsky Krai and Krasnoyarsky Krai. The trip also served to establish initial contact with potential partners in Moscow to discuss future cooperation with existing local partners.

3. Meetings Conducted

Date	Person	Place	Purpose
01.11	Valery Varshavsky, Professor	Moscow	Discussed FOREST program for school-age children
01.12	Dmitry Kavtaradze, Moscow State University	Moscow	Interviewed on areas for improvement of FOREST program in schools
01.12	N. Vlasova - FNR A. Alakhverdov - FNR	Moscow	Learned about work with NGOs, discussed possible cooperation in the future
01.14	F. Frolov, State Forest Service	Khabarovsk	Received feedback on our current public awareness activities and discussed the Newsletter and other project materials
01.14	V. Pominov G. Greg Institute for Advanced training in environmental sciences and ecology.	Khabarovsk	Reviewed current public awareness activities of the Institute and discussed FOREST program for school-age children
01.15	V. Chulanov E. Murashkina	Khabarovsky Krai	Reviewed a program for students based on the FOREST program for schools

	Viazemsky Leshoz Technicum (College)		
01.16	A. Levental Deputy Governor of Khabarovsk Krai	Khabarovsk	FOREST staff informed Mr. Levental of current project activities in addition to highlights of last A/C meeting
01.16	L. Tarasova Bio-ecological Center	Khabarovsk	Received feedback on FOREST school program that is being used by the Center
01.16	A. Kulikov N. Bolshova The Fund of Wild Animals	Khabarovsk	Discussed ways to improve the forest fire prevention program for schools
01.17	Bichevaya School	Khabarovsk Krai	Discussed ORESTFOREST school program which is being taught at Bichevaya School, C1 representative awarded school children with certificates from the FOREST project at this meeting
01.17	G. Beldi journalist	Khabarovsk Krai	Reviewed Galina's article and discussed possible cooperation for publication of a Newsletter
01.17	I. Mashnova journalist	Khabarovsk	Discussed the process for publication of a FOREST Newsletter used in the past
01.17	O. Zabubenina O. Glovatskaya FOREST	Khabarovsk	Discussed a work plan for modification of the program for schools, the Newsletter, and a web site
01.19	O. Morina Khabarovsk Technical Institute	Khabarovsk	Gained insight into the FOREST school program and the methodology used to teach the students
01.19	A. Lubiakin Far East Aviation base	Khabarovsk	Discussed current public awareness activities of the aviation base staff and suggested cooperation for creation of a short educational film
01.20	P. Perner FOREST	Khabarovsk	Updated on current FOREST activities and plans
01.20	E. Kuzmichev FOREST	Khabarovsk	Discussed a plan to modify the School program and involved E. Kuzmichev in the reviewing process

4. Outcome of Visit

1. Reviewed current C1 activities and suggested how to improve public awareness campaigns
2. Discussed FOREST program for school-age children with scholars in Moscow
3. Gathered and processed feedback from teachers who use FOREST program and developed a list of necessary improvements
4. Developed an internal work plan for modifying the program in cooperation with the C1 Representative
5. Suggested improvements for existing outreach materials including the web site
6. Established contact with a new potential partner in Moscow
7. Helped orient a new communications specialist in the field of communications and on the project

8. Initiated the development of project Newsletter #7 in coordination with the new field communications specialist, the newsletter will include a list of questions to recipients in the insert. The purpose of the insert and a return envelope will be to receive a feedback from readers.
9. Developed a questionnaire for teachers and other stakeholders using the FOREST school program for distribution at the meeting of teachers and at the congress for forestry schools.

5. Recommendations

The forest fire prevention program for schools should be modified in accordance with feedback from selected school teachers, educational specialists, and other stakeholders.

C1 representative in Krasnoyarsk (E. Fedorov) should meet with local teachers and educational officials to discuss the FOREST school program and write a report with recommended changes.

6. Necessary follow-up action

- a) C1 representative should meet with the Far East Aviation Base director in Evreiskaya Oblast to discuss cooperation in creating a short educational film
- b) C1 representative in Khabarovsk Krai will discuss changes to the existing web site with a web designer in Khabarovsk
- c) Develop a questionnaire for teachers who use the FOREST program for general distribution

7. Expected Results

Successful modification of forest fire prevention program.

9. Number of Beneficiaries _ Trainee Participants _

8. Success Story

Component One of the FOREST project is working to improve project materials which were developed in the regions of Khabarovsk and Krasnoyarsk Krai. The major focus is to improve the forest fire prevention program for use by teachers in schools. The director of the Far East Aviation Base, Alexander Lybaikin emphasized the importance of an effective public education campaign in schools to prevent forest fires with the following: "The problem of forest fires goes far beyond a handful of people who do not know how to extinguish a camp fire - it is a problem of Russian society as a whole that does not take responsibility for its natural resources. The only solution is to teach new generations of Russians - those who are 5 to 10 years old now - to respect the forest. Programs like the one that is being developed by the FOREST project make me hope that we can avoid an ecological crisis".

Currently, program materials targeting youth are being modified based on the feedback from educational specialists and the teachers who use the FOREST school program. The new materials will be described in the Manual on Public Awareness Programs with the goal to institutionalize the materials at the regional and federal levels in Russia.

9. Problems Encountered – None

Ludmila Khakhaleva

Coordinator, VE Program

Trip Report

Component: 3

Dates of the trip: January 19 – February 02, 2004

Places Visited: Moscow-Seattle-Madras(OR)-Prineville(OR)-Ontario(OR)-The Dalles(OR)-Portland(OR)-Springfield(OR)-Red Bluff(CA)-Sacramento(CA)-San Francisco(CA)-Moscow

1. Executive Summary

A Study Tour with stops at moulding & millwork plants in Washington, Oregon and northern California aimed at initiating the learning and building the trade relationship process between the Russian appearance-grade lumber producers and U.S. moulding & millwork companies.

2. Purpose/Objectives of the Trip

- Assisting Russian producers capable of supplying kiln-dried lumber in appropriate grades, quantities, and specifications to find ready buyers for large volumes of the highest-priced product on the American softwood market.
- Assisting US moulding and millwork companies interested in Russian species (red pine, spruce and larch) as potential substitutes for the raw material presently brought from South America, New Zealand and other overseas locations to build direct contacts with Russian producers.
- To build direct trade relationship that will help to correct quality, expand volumes through direct contacts by- passing brokers and wholesalers.
- To facilitate learning (for Russian side) very strict customer requirements in milling, grading, drying technology, wrapping and timely shipping.

3. Outcome of Visit (Accomplishments, Deliverables and Results)

Within 14 days of the trip we had meetings with 19 US companies in Oregon and California had a meeting with one Canadian company (InterFor), a meeting with D Norberg of RAPP.

Most of the companies we met with were very enthusiastic about the quality of Siberian red pine and view this species as a good substitute for the species presently brought from New Zealand, Brazil and other overseas locations. The friendliness and warm reception of the U.S. companies was obvious. It showed the sincere interest in developing successful business relationships with the Russian companies and provided the basis for open and productive discussion on the requirements, grades, prices and opportunities for potential business. Comparing with June trip to Japan, questions about current prices for specific products and grades were answered directly by most manufacturers.

The Russian participants demonstrated a very strong interest in all aspects of U.S. manufacturing operations. They commented: “We met with respect and interest; we felt that our potential partnership would be equitable to the interests of both parties”. Having learnt the US manufacturing process and the requirements in exports to the US many of them (Stoukalov, Angarskaya Co; Andrianov, Biva; Brill, Kodok) realized the need for more advanced equipment, and training to improve company performance for meeting the US market standards.

A challenge was to discuss and to learn the requirements in drying. This subject requires special training. The idea of T Miles that with the big orders the US company could bring the specialist in drying technology, was very much welcomed. The participants are confident that proper drying and grading are the most important aspects in building successful business with the US companies. They hope for the support of FOREST and are ready to host the US specialists to get training in these issues.

Most of the discussions with major U.S. companies ended on the basis that U.S. companies and Russian companies would maintain e-mail contact to develop specifications and details for trial containers of specific products. Because some of them might have a difficulty in communicating in English Igor and I suggested that FOREST staff could help to translate and compile the emails.

Many of the Russian companies, participants of the tour (Andrianov, Biva and Brill, Kodok) felt very confident in making the trial containers for Woodgrain Millwork plant (Fruitland, Idaho) and Jeld-Wen (Bend, Oregon). They are sure of drying quality and grade specifications though would host a US specialist on drying technology as was suggested by T Miles.

During the trip the Krasnoyarsk group discussed the idea of organizing a company that would unite Biva, Kodok, Angarskaya and some others of the area of Kizhensky administrative unit. This newly born company will manage the US orders, shipping, etc. attracting the capacities of the companies mentioned above. V Dutov and P Bezmaternykh were approved to lead the activities.

Considering the options for shipping the participants discussed the offer of D Tekiev (Berkut, and D Permyakov, KliodB, Primorsky krai). D Tekiev successfully manages stable shipping from Kraskino (3 hour drive from Vladivostok) to South Korea. He offered the opportunity of using his facilities and guarantees 2 week delivery of the orders to Seattle.

ALL the participants remained absolutely satisfied with the visits organized. Their comments were:

“It was important to learn and see the manufacturing from direct contacts. It was important to meet with the companies and to form direct contacts. We’ve learnt so much and got a clear understanding of the requirements to enter the market. With the trip we’ve got big potentials for further development. Shipping costs, prices offered has to be calculated to be beneficial for both sides. However these are the opportunities to explore and to work on.”

4. Number of beneficiaries: 15 direct